

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-15 NEA-10 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

SCEM-02 SCI-06 INT-08 SS-20 NSC-10 DRC-01 SSO-00

NSCE-00 INRE-00 PA-03 PRS-01 USIA-15 /199 W

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FM AMEMBASSY LONDON

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INFO AMEMBASSY BONN

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AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L LONDON 11876

E.O. 11652: XGDS-1

TAGS: ENRG, OECD

SUBJECT: OPEC NEGOTIATIONS: HMG SUPPORT FOR OECD HIGH
LEVEL GROUP MEETING

1. SPAIN (DTI) AND TAYLOR (FCO) CALLED TO INFORM US THAT
HMG IS CONSIDERING SENDING HIGH LEVEL MESSAGE TO USG
CONCERNING OPEC NEGOTIATIONS. MESSAGE AS SENT TO
MINISTERIAL LEVEL INCLUDES REFERENCE TO HMG SUPPORT,
ALREADY CONVEYED TO HLG CHAIRMAN WANSINK, FOR SPECIAL
OECD HIGH LEVEL GROUP MEETING.

2. HMG OFFICIALS EXPECT BILATERAL INDUSTRY AND
GOVERNMENT TO GOVERNMENT CONTACTS WILL PROVIDE MAIN
CONSUMER COUNTRIES WITH NECESSARY INFORMATIONAL
BACKGROUND ON OPEC NEGOTIATIONS. THEY ENVISAGE SPECIAL
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HLG MEETING CALLED AT WANSINK'S INITIATIVE AS SERVING

SUPPLEMENTARY EDUCATION AND CONSULTATIVE PURPOSE. WHILE UNDER NO ILLUSION THAT RESULT OF HLG DELIBERATIONS WOULD BE CONSENSUS ON MORE THAN FEW POINTS, HMG BELIEVES MULTILATERAL EXCHANGE OF VIEWS WOULD BE USEFUL TO OUR RESPECTIVE GOVERNMENTS AND TO OIL INDUSTRY IN SUBSEQUENT DECISION-MAKING PROCESS AND CONDUCT OF NEGOTIATIONS. HMG SUGGESTS, FOR EXAMPLE, THAT A SOLID ECONOMIC ANALYSIS (BY HLG MEMBERS THEMSELVES, NOT BY OIL COMPANIES) OF ECONOMIC EFFECTS OF \$6 A BARREL OIL ON CONSUMERS (IN TERMS OF BOP AS A STARTER) AND PRODUCERS (IN TERMS OF INFLATION REFLECTED IN COSTS OF MANUFACTURED GOODS) MIGHT HAVE SOBERING EFFECT ON ALL PARTIES CONCERNED.

3. HMG ACKNOWLEDGES THAT SUGGESTED HLG CONSULTATION ON INDUSTRY NEGOTIATING TERMS OF REFERENCE WOULD BE UNPRECEDENTED. BUT IT IS ARGUED THAT GREATER CONSUMER GOVERNMENT INVOLVEMENT IN NEGOTIATING PROCESS IS INEVITABLE AND, COMPARED WITH ALTERNATIVES, US AND UK ARE BETTER OFF TRYING TO CHANNEL THIS PROCESS AT LEAST IN PART INTO OECD HLG.

4. HMG BELIEVES WE SHOULD BE FAIRLY RELAXED IF NOT OPEN ABOUT DISCUSSING OPEC NEGOTIATIONS AT HLG. AT SAME TIME, IN ORDER TO MINIMIZE "CONFRONTATION" ASPECT, AGENDA FOR SPECIAL MEETING SHOULD INCLUDE PROTECTIVE COLORING OF OTHER SUBJECTS, SUCH AS GENERAL SUPPLY SITUATION AND PROGRESS ON SHARING. FACT THAT HLG MACHINERY ALREADY EXISTS, IS ACCEPTED BY ALL AND MEETS FAIRLY FREQUENTLY AND CONFIDENTIALLY SHOULD MAKE SPECIAL MEETING COMPARATIVELY INCONSPICUOUS. LEVEL OF REPRESENTATION AT HLG WOULD OF COURSE BE UP TO INDIVIDUAL MEMBERS, ALTHOUGH HMG SEES NO REAL NEED TO ESCALATE ABOVE OFFICIALS NORMALLY PRESENT.

5. TAYLOR REPORTS GERMANS HAVE JUST SAID THEY WOULD AGREE TO SPECIAL MEETING AND INFORMED HMG DUTCH AND JAPANESE ALSO WILLING TO MEET.

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